

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4462-02
Bill No.: Truly Agreed To And Finally Passed SCS for SB 1235
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: May 19, 2004

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED) - Division of Finance, DED - Division of Credit Unions, Department of Insurance and Department of Social Services** assume the proposal will have no fiscal impact on their organizations.

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|--|-----------------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|--|-----------------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

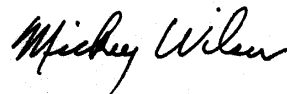
DESCRIPTION

Under the current law, the Director of the Department of Insurance must disallow as an asset or deduction from liability to any ceding insurer any credit for reinsurance unless the reinsurance is payable to the ceding company and to its receiver if the ceding company is impaired or insolvent. This proposal removes the requirement that the ceding company be impaired (Section 375.246). Under this proposal, no setoff shall be allowed where the obligations between the person and the insurer arise from reinsurance relationships resulting in business where either the person or insurer has assumed risks and obligations from the other party and then has ceded back to that party substantially the same risks and obligations (Section 375.1198). The proposal also removes the December 31, 2005, sunset clause on two provisions of Section 375.1220 which allow an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process. The proposal provides that expert testimony concerning estimates of incurred but not reported losses may be received into evidence in any tribunal proceeding by the receiver or by the reinsurer, provided that the testimony is otherwise admissible (section 375.1220).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development -
 Division of Finance
 Division of Credit Unions
Department of Social Services
Department of Insurance



Mickey Wilson, CPA
Director

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